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ABSTRACT

A number of trends are pushing states and communities to bring together traditionally separate services and programs and to create more integrated and responsive initiatives for young children and their families. Program directors and policymakers are devising new strategies for coordinating the funding for these initiatives. This strategy brief highlights the successes and lessons learned in blending early childhood fund streams and presents financing strategies that policymakers, community leaders, and program coordinators can use to align, coordinate, and integrate discrete, categorical funding streams. The brief is organized into four parts. Part 1 explores the current funding landscape for early childhood supports and services, and highlights those funding streams that most commonly support early care and education initiatives. Part 2 describes the challenges inherent in coordinating and integrating categorical funding streams. Part 3 presents three strategies for overcoming challenges and effectively bringing together and aligning separate funding streams. This part includes strategies relevant to federal, state, and local policymakers, as well as to program directors. Part 4 highlights key steps that policymakers and program directors can take to implement blended funding strategies effectively. The brief concludes by asserting that for financing efforts to be most successful, the work of program leaders to braid and blend a variety of funding sources must be supported by policymaking that increases the flexibility of and aligns funding streams. (Lists 15 additional resources and contains 8 endnotes.) (KB)

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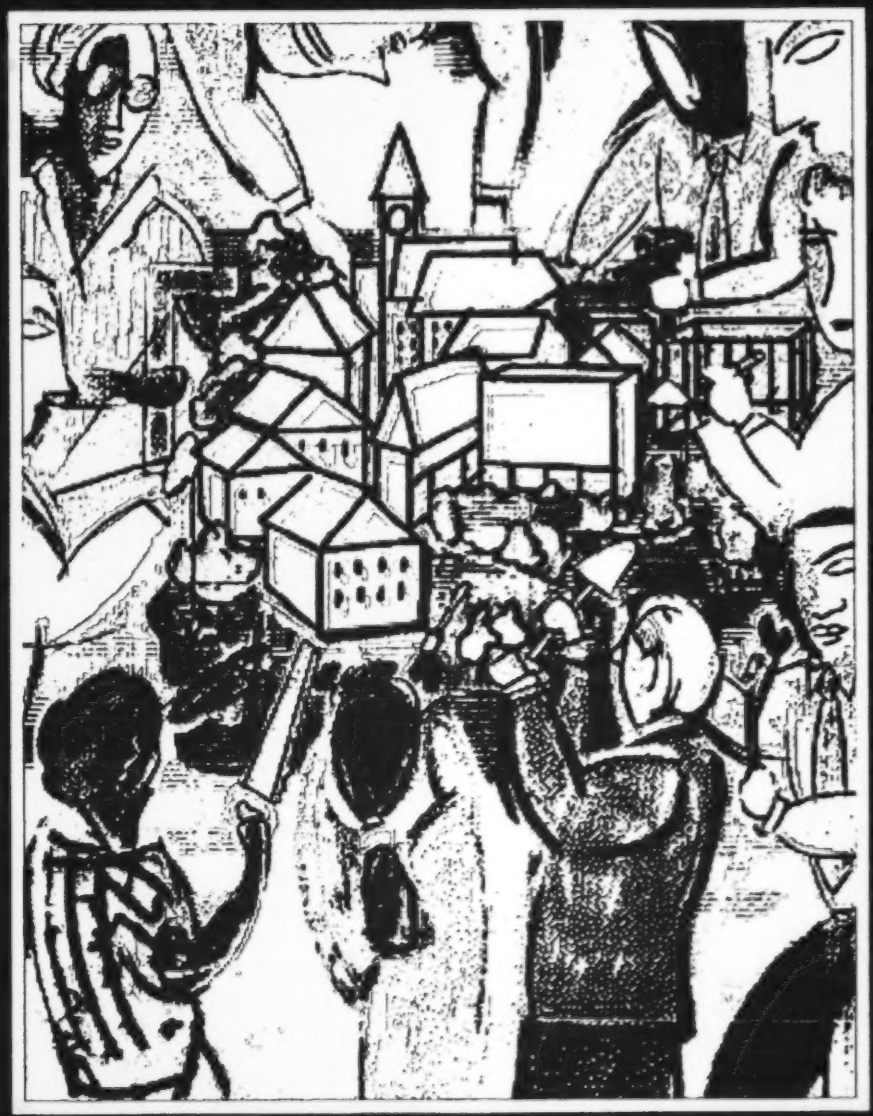
Blending and Braiding Funds

To Support Early Care and Education Initiatives



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The FINANCE PROJECT

Blending and Braiding Funds

To Support Early Care and Education Initiatives

By Margaret Flynn and Cheryl D. Hayes

In recent years, both the public and private sectors have made significant new investments in early care and education. These investments are largely a response to growing awareness of the importance of early experiences to brain development and school success, and to new demands for and attention to the need for child care for working families. Unfortunately, however, differing priorities and a lack of sufficient resources mean that these investments have primarily created or expanded categorical programs that narrowly define eligibility and services and operate separately from each other. Rather than representing a coherent early care and education system, they are a patchwork of disjointed programs with different emphases, requirements, and funding mechanisms.

A number of trends, however, are pushing states and communities to bring together traditionally separate services and programs and to create more integrated and responsive initiatives for young children and their families. Welfare reform has highlighted the need for quality, full-day, full-year early childhood programs. In an effort to provide full-time care to children in Head Start (which has traditionally been part-day, part-year), states and communities are fostering new partnerships between child care and Head Start programs. At the same time, the growth in state investment in prekindergarten programs is leading to new collaborations among schools and the Head Start and child care providers surrounding them. In addition, state and local governments and private funders have invested in community-driven initiatives

that bring together stakeholders to assess needs and develop more comprehensive and coordinated services that are responsive to the needs of families. These efforts provide models and structures for interagency collaboration and public-private partnerships, as well as a foundation for integrating separate systems.

A major challenge in bringing together traditionally separate early care and education programs and services is financing. Separate funding streams, created in response to different priorities, are governed by a number of federal, state, and local agencies. Policy and program leaders trying to create more integrated and coordinated supports and services struggle to align funding sources with varying regulations and requirements. Although the challenges are daunting, innovation and experimentation in using existing resources in more flexible and integrated ways abound. Program directors and policy makers at the federal, state, and local levels are devising new strategies for coordinating and increasing the flexibility of categorical funding, and are succeeding in creating early childhood supports and services that are more integrated and responsive to the needs of children and their families.

This strategy brief highlights the successes and lessons learned in blending early childhood funding streams. It is important to note that blending funds is just one of a number of financing strategies that can be used to support the development of early care and education initiatives. Other strategies, such as developing new resources, are also critical and are addressed in other publications.[1] The purpose of this brief is to present financing strategies that state and local policy makers, community leaders, and program coordinators can employ to align, coordinate, and integrate discrete, categorical funding streams. When used effectively, these strategies can help reduce duplication, increase the efficient use of resources, reduce the administrative burden of multiple categorical programs, and fund early childhood supports and services that are more integrated and coordinated.

This brief is organized into four parts. The first part of this brief explores the current funding landscape for early childhood supports and services and highlights those funding streams that most commonly support early care and education initiatives. The second part describes the challenges inherent in coordinating and integrating categorical funding streams. The third part presents three strategies for overcoming challenges and effectively bringing together and aligning separate funding streams. It includes strategies that are relevant to federal, state, and local policy makers, as well as to program directors. The final part highlights key steps that policy makers and program directors can take to implement blended funding strategies effectively.

The Current Funding Landscape

An essential starting point for using funding streams more flexibly is to understand which funding streams might be brought together to support more coordinated and integrated early childhood supports and services. This section highlights a few major federal early care and education funding sources and briefly reviews state and local investment trends. It focuses on funding sources that specifically target early care and education services and that are commonly the focus of coordination efforts. Many other public funding sources, not included here, may support related programs and services (for example, sources supporting health care) or broader concerns.[2]

Federal Funding

Head Start is the federal government's largest and most comprehensive early childhood education program. It was funded at $6.5 billion in Fiscal Year (FY) 2002. Regional offices distribute these appropriations directly to local grantees. Early Head Start, created in 1994 and funded with $625 million from the Head Start budget in FY 2002, extends Head Start's early childhood education and parent support services to families with children under age three. Another major federal program, which was funded at $4.8 billion in FY 2002, is the Child Care and Development Fund (CCDF). CCDF is a block-grant program administered to states and used to fund child care subsidies for children under age 13, as well as for quality-building, system-building, and resource and referral activities. In the wake of welfare reform, federal and state governments have encouraged collaboration between Head Start and child care programs (which have traditionally operated separately) to ensure that parents have access to full-day, full-year programs.[3]

A NOTE ON LANGUAGE

A number of different terms are used to describe efforts to use separate funding streams in more coordinated and flexible ways. Many individuals refer to all efforts to use funding streams more flexibly as "blending." In this strategy brief, we describe three distinct types of flexibility (or "blending") strategies:

- **Coordination**—a community- and program-level strategy for using separate categorical streams together to support seamless services. This strategy is also often referred to as "braiding," because separate funding streams are wrapped together to support unified services.
- **Pooling**—a strategy, most commonly used at the state and county levels, in which more flexible pots of funding are blended into one funding pool.
- **Decategorizing**—another state-level strategy that is focused on making funding streams less "categorical" by removing, reducing, or aligning requirements and regulations. Funds from more than one program are "blended" into a unified funding stream.

Temporary Assistance for Needy Families (TANF) and the Social Services Block Grant (SSBG) are two block grants that states can choose to use for a variety of purposes, including early care and education. TANF, the block grant that replaced the entitlement program Aid to Families with Dependent Children (AFDC), is used extensively by states to support child care and early education initiatives. States can use TANF directly on child care or can transfer a portion of TANF (up to 30 percent) into CCDF. In FY 2000, states spent nearly $4 billion of TANF funds on child care. SSBG is also commonly used to support child care. In 2000, 43 states reported spending approximately 9 percent, or $165 million, of SSBG funds for child care.

Communities can also tap certain education funding streams to support early childhood supports and services. Title I of the Elementary and Secondary Education Act (reauthorized by the No Child Left Behind Act in 2001) supports programs and services for educationally disadvantaged children, with early education being one of many allowable activities schools can choose to support. State and local education agencies spent an estimated 2 percent to 3 percent of total Title I expenditures, or $200 million, on early education in FY 2002. The Individuals with Disabilities Education Act (IDEA), another education program, includes the Grants for Infants and Families with Disabilities program (funded at $51 million in FY 2002) and the Preschool Grants program (funded at $500 million in FY 2002). Grants for Infants and Families with Disabilities provides states with funding to create a system of early intervention services for children from birth through age three with disabilities, while the Preschool Grants program provides funding for special education and related services for preschool children. Even Start, funded at $250 million in FY 2002, is an education program that supports family literacy activities for children through age eight. Early Reading First, a new program created in 2001 by the No Child Left Behind Act, provides $75 million in competitive grants for the development of model programs to support literacy and school readiness for preschool children.

FEDERAL FUNDING DIRECTED TOWARD EARLY CARE AND EDUCATION

Program	Federal Administering Agency	FY 2002
Head Start	Health and Human Services	$6.5 billion
Child Care and Development Fund	Health and Human Services	$4.8 billion
Temporary Assistance to Needy Families	Health and Human Services	$4 billion
Preschool Grants Program	Education	$500 million
Even Start	Education	$250 million
Title I	Education	$200 million
Social Services Block Grant	Health and Human Services	$165 million
Early Reading First	Education	$75 million
Grants for Infants and Families with Disabilities	Education	$51 million

State Financing

Many of the federal funding sources mentioned above flow through state agencies before reaching county agencies and local providers. The additional investments made by states in early learning vary considerably, depending on state needs, priorities, and budgets. To draw the discretionary portion of the Child Care and Development Fund, states have to provide matching dollars. States spent $1.9 billion in matching dollars in 2000.[4] In addition, many states have invested significantly in prekindergarten programs in recent years. As of 2001, 43 states had some kind of early learning program for three-year-olds and four-year-olds.[5]

Local Financing

County and city governments, school districts and schools, and local agencies also provide important support for early care and education initiatives. Much of the funding allocated by county or city governments actually originates in the federal and state budgets. Some counties and cities also elect to invest their own locally generated funds in early learning initiatives. Another important source of support at the local level is the school district. Most commonly, school districts and schools provide in-kind support to school-linked, early learning initiatives. Facilities, transportation, and administrative support are critical resource needs that schools often contribute. Though the practice is less common, some school districts also allocate direct cash support to school-linked early learning initiatives.

Challenges to Increasing the Flexibility of Early Childhood Funding Streams

Although a number of funding streams might be coordinated or combined to support early childhood supports and services, most of these streams are categorical. They support programs and services with narrowly defined purposes that provide specific types of assistance to specific categories of children and families who are deemed eligible under the law. These programs were created in response to specific needs and focus on specific goals. These differences are reflected not only in what services are supported and for whom, but also in how funding is structured and administered. For example, prekindergarten programs, created with the goal of school readiness, reflect public education values. They are typically grant-funded, free, and administered by state education departments. Child care funding streams, on the other hand, are designed to fill the gap between parents' ability to pay and the cost of care. Social service departments typically administer these funds as subsidies to low-income, working parents.

Categorical funding streams are difficult to coordinate or combine because of three major differences:

- *Eligibility requirements*—which families and children are targeted, including age of children, income of families, special needs of children (for example, some programs target children with disabilities, whereas other programs serve a broader subsection of children), and circumstances of parents (for example, only employed parents are eligible for child care subsidies).
- *Program regulations*—requirements related to how and when services are delivered, such as hours of service per day and days of service per year; content and curriculum standards; and quality standards, such as teacher qualifications and staff/child ratios.
- *Funding flow and administration*—who administers the program and how the funds flow to programs. Some program funds flow directly from federal agencies to local grantees (for example Head Start); others are administered from the federal

TABLE ONE: COMPARING ELIGIBILITY FOR EARLY CARE AND EDUCATION PROGRAMS

Program	Age	Income	Special Needs
Child Care and Development Fund	Children ages 12 and under	Families must earn less than 85 percent of the state median income (the federal maximum; many states set the income-eligibility level lower).	Priority is given first to children receiving protective services, and second to families with the lowest per capita income. Within this group, priority is given to children with special needs.
Even Start	Children ages birth through 7 and their parents	The program targets low-income families. State education agencies set specific income levels.	There is no special-needs requirement.
Head Start	3-year-olds to 5-year-olds (Early Head Start serves children under age 3)	90 percent of children must be from families with income below the federal poverty level.	10 percent of enrollment must be children with disabilities.
Preschool Grants Program	3-year-olds to 5-year-olds (and 2-year-olds who turn 3 during the school year)	There are no income restrictions.	Program funding must be used to provide services to children with disabilities.

government to state agencies, which then distribute them to localities (for example, TANF and CCDF). In addition, some programs disburse funds as subsidies that provide reimbursement upon delivery of services, some provide short-term or startup grants, and others provide renewable grant funds. In addition, the federal, state, and local agencies that administer different funding streams require different and sometimes duplicative reporting on different schedules.

To illustrate the challenges created by the above differences, Table 1 defines "eligibility" for the federal CCDF, Head Start, Preschool Grants, and Even Start programs. It is clear from the table that each of these programs is targeted to specific populations and purposes and that there are few areas in which the regulations for these programs align. For example:

- Head Start and the Preschool Grants program are targeted to children from ages three through five, Even Start serves children from birth through age seven, and CCDF serves children from birth through age twelve.
- CCDF serves families earning less than 85 percent of the state median income (the federal maximum eligibility level; many states set eligibility levels lower); Head Start serves children below the federal poverty level (90 percent of children served in a

Head Start program must be from families earning less than the poverty level); Even Start has no specified income eligibility level but does specify low-income families as the target; and the Preschool Grants Program has no income requirement (eligibility is based on the presence of a disability).

- The Preschool Grants program is available only to children with disabilities; 10 percent of children served by Head Start must have special needs; CCDF provides some priority for children with special needs; and there is no special-needs requirement within Even Start.

Clearly, using these funding streams to support integrated early childhood supports and services poses challenges. Depending on the children's age and family income, some children are eligible for services under all four programs, although others are eligible for only one. As a result, children in the same program might not be able to receive comparable services (or program administrators would have to find alternative sources of funding to fill in gaps). Program administrators have to carefully track eligibility data and tie services back to appropriate funding sources. In addition to program eligibility differences, program administrators have to contend with conflicting program regulations, such as staff qualifications; teacher/child ratios; program hours; and multiple reporting requirements, which often ask for slight variations of similar information or the same information in different formats and at different times.

These barriers often create strong disincentives for linking programs and program funding. Addressing these challenges and integrating funding sources and services requires individuals at the program, city, county, and state levels to take a hard look at these and other funding streams and to devise strategies to increase their flexibility. The following section explores three flexibility strategies—the first is focused on coordinating funds at the program and community level; the other two actually involve changing the structure and regulations of funding streams at the state or county level.

Strategies for Increasing the Flexibility of Categorical Finding Sources

This section explores three strategies for using categorical funding streams more flexibly. The first strategy, coordination, focuses on using existing categorical funds in as flexible and integrated a manner as possible. Community leaders and program directors can employ this strategy. The second and third strategies, which focus on changing the structure and rules so that funding streams are more flexible, generally require action by federal, state, or local policy makers. These three strategies are not mutually exclusive and actually work to complement and reinforce each other. The states, communities, and programs that are most aggressively and successfully working to implement these strategies are places where state and local policy makers have increased the flexibility of funding sources through support for pooling and decategorization and have eased the burden on programs working to coordinate separate streams at the local level.

Coordination

Coordination is the most common strategy for using categorical funding streams to create more integrated and comprehensive early care and education initiatives. This strategy is used primarily at the program and community levels, aligning separate categorical funding sources to support integrated and coordinated service delivery. Through coordination, or "braiding," as this strategy is also commonly called, categorical funding streams can be tapped and used in combination to support individual components of comprehensive service initiatives. Coordination not only facilitates the provision of more comprehensive services tailored to meet the needs of families and children, but also reduces reliance on any single funding source, thus contributing to long-term sustainability. Coordination requires a high degree of behind-the-scenes organization and record keeping. Critical to the success of this approach is a good plan, a good management-information system, and a good cost-accounting system for tracking expenditures by funding source in order to properly allocate and report them.

For many years, program and agency directors in a variety of human service settings have successfully employed this strategy to piece together multiple funding sources to support seamless services. In the early care and education arena, the need for full-day, full-year services to support parents' work schedules, along with the concurrent growth in part-day, part-year services aimed at school readiness, have spurred and expanded the use of this strategy. A significant challenge to coordination by early care and education programs is the prevalence of small, separate providers. Many providers of early care and education are small centers or family-based homes that do not have the administrative capacity to manage the requirements of multiple funding sources. Nor do

COORDINATING FUNDS TO SUPPORT EARLY EDUCATION

With welfare reform creating new pressure to move low-income parents from welfare to work, the Contra Costa County Community Services Department (CSD) decided to coordinate funding from child care, Head Start, and State Preschool to provide full-day, full-year early education and social support services. Prior to the coordination effort, Contra Costa County's CSD had been separately administering the federal Head Start program and the state-subsidized child care and preschool programs. CSD sought permission to collaborate from the California Department of Education Child Development Division and the Federal Administration for Children and Families and began a pilot project in 1998. The original pilot model collocated Head Start and child care services, with children spending part of the day in a Head Start classroom and part of the day in a traditional child care setting. Although this model had the administrative ease of keeping Head Start and child care funding sources separate, children did not experience continuity of care, and turf and cultural issues between child care and Head Start staff posed obstacles to integrated services.

Recognizing the limitations of the original model, CSD implemented a second model that uses Head Start resources to enhance the services provided to eligible children in child care settings. CSD administrators found this model to be successful in preserving continuity of care and have adapted and implemented the model in a number of sites. Although the manner in which funds are coordinated depends on the eligibility of children at each site, CSD has succeeded in coordinating funds from Head Start, subsidized child care, and state preschool to provide full-day, full-year, integrated early childhood education and social support services. Efforts to integrate administrative systems have been key to this success. Prior to the collaboration efforts, there were separate Head Start and Child Development divisions within CSD. To support collaboration, CSD merged the Head Start and Child Development Divisions into one division, the Family and Children's Services Division. Within this division, eligible part-day Head Start and full-day child development children are being folded into a common unit called Child Start. Although the eligibility and services provided to children in the Child Start unit are tracked to meet Head Start, Child Care, and state preschool reporting requirements, it is impossible to tell which child is attached to which program within the classroom.

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they have the resources or staff time to invest in developing that capacity. In response to this challenge, many communities are developing networks of providers centered around entities, such as school districts, city and county government offices, and large community-based organizations, with greater administrative capacity. These "hubs" act as fiscal agents and handle the task of coordinating multiple funding streams, lessening the administrative burden on individual providers. These networks not only facilitate the coordination and efficient use of multiple funding streams; they also link providers to important sources of training, technical assistance, and professional networks.

Coordination, or braiding, is implemented at the program and community levels, but federal and state policy makers can play important roles in encouraging and supporting local coordination of funds. In recent years, policy makers at both the federal and state levels have made efforts to encourage local coordination of funds. For example, the federal Head Start and Child Care Bureaus have jointly funded a state child care/Head Start coordinator for each state and have published policy directives to help state policy makers understand how funds can be coordinated. States have also focused significant action on coordination. A recent survey by the National Conference of State Legislatures identified 36 states that have

enacted laws aimed at coordinating child care and early education services. These laws vary considerably in their scope and content but are primarily intended to improve government efficiency, child development, and families' access to needed services. In nearly half of the states, these laws require programs to coordinate their services.[6] To make this happen, it is critical that federal and state policy makers not only simply require local coordination, but also take actions to support local efforts. Federal and state policy makers can:

- Provide support for training and technical assistance aimed at helping local initiative leaders understand the funding landscape and tackle administrative barriers to coordination. For example, the federal Head Start and Child Care Bureaus have created a national training and technical assistance project (Quality in Linking Together, or QUILT) designed to support local efforts to coordinate Head Start and child care.

- Align or adjust the requirements of funding streams to make them easier to coordinate. For example, some states allow programs that coordinate Head Start and child care funds to receive a full-day child care subsidy even if they are also receiving Head Start or Early Head Start funds. This has supported the development of a model for coordinating Head Start and child care funds that essentially utilizes Head Start funds to enhance the quality of child care programs so that they meet the more rigorous Head Start program standards. In this way, initiatives are able to offer integrated, full-day Head Start services. In states in which programs can receive only a half-day subsidy if they are receiving Head Start funds, the programs have a much more difficult time integrating the two models and frequently end up operating part-day Head Start and part-day child care.

- Structure new funding streams in a way that encourages and facilitates coordination with existing streams. For example, some states allow prekindergarten funds to flow to a variety of community-based and school-based providers, including child care and Head Start programs.

- Provide support for coordinating structures and functions. Whether implemented by a single program or through a network of linked providers, coordination of funds requires time and resources to be dedicated to administrative functions and collaboration. Federal and state policy makers can provide funding for these functions by either

COORDINATING FUNDS TO PROVIDE COMPREHENSIVE FAMILY SUPPORT SERVICES

Vermont's statewide network of Parent Child Centers serves as an important hub of services for families and children. The centers provide eight core services, either directly or through referrals:

* home visiting;
* early childhood services;
* parent education;
* peer-to-peer support for parents;
* on-site support services for parents;
* playgroups;
* information and referral on family issues and statewide resources; and
* community development.

Each Parent Child Center funds this menu of comprehensive services by piecing together many public and private funding sources. Administrators of state agencies in Vermont recognize the value of the comprehensive, community-based centers and contract with them to provide many services. State funding sources with which Parent Child Centers collaborate include Healthy Babies; Community-Based Family Resource and Support; Even Start; Success by Six; Family, Infant, and Toddler Program; and the Reach Up Program (Vermont's Welfare-to-Work Program). Each Parent Child Center also receives important core funding of approximately $35,000, from a total state appropriation of over $700,000. This core funding supports program planning, collaboration, and other activities essential to linking diverse programs. It also helps pay for program activities for which categorical funding is unavailable.

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increasing the administrative allotment in existing streams or creating streams that provide support for local coordination. For example, the Massachusetts Community Partnership initiative provides flexible grant funds to local Community Partnership Councils to bring together leaders from the public schools, child care, Head Start, and the community to develop strategies for coordinating early care and education funds in response to local needs. Many states also provide grants for family resource centers that offer comprehensive, one-stop services for families. A core of flexible support allows coordinators of family resource centers to draw and coordinate funding from a variety of categorical sources.

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Pooling

Another strategy for increasing the flexibility of funds involves pooling monies from several agencies or programs. This allows local programs increased discretion in the use of the combined funds. Pooling typically occurs in state agencies, where a portion of state program funding or the more flexible federal programs may be blended to support comprehensive initiatives. In the early care and education arena, many states have developed initiatives that call on local communities to assess local needs and develop a plan for addressing those needs through coordination and collaboration. Frequently, the funding to support these initiatives comes from several state general funds and federal block-grant funds, which are pooled and then handed down to counties and communities as local "block grants." The benefit of this strategy is that it fosters opportunities for greater local decision making and use of funds according to local needs and priorities. In addition to covering direct services, pooled dollars can often be used to fund activities such as collaboration, coordination, and program planning-functions that frequently cannot be funded from categorical streams.[7]

In most examples of pooling, states combine funds from several programs and agencies to support broad, statewide systems reforms. A variation of pooling that may be implemented on a smaller scale and tailored to individual program or community needs is "master contracting." A few innovative jurisdictions have pioneered this strategy, which involves replacing a number of separate contracts from various state or county agencies with one master contract. This strategy

requires state or county approval and cooperation but might be initiated at the request of a comprehensive program. Master contracting gives programs and communities greater flexibility to tailor their services to community needs, but also builds in accountability mechanisms to ensure that desired outcomes are achieved. Another important benefit of master contracting is that it lessens the administrative burden associated with multiple, separate funding schedules and reporting requirements.

POOLING FUNDS TO SUPPORT LOCAL INTEGRATION EFFORTS

In 1999, the Florida State Legislature passed the "School Readiness Act," creating the Florida Partnership for School Readiness. Under the act, each county is responsible for creating a School Readiness Coalition to develop a plan for integrated early care and education services in the community. What is unique about this initiative is that the state gives the county councils authority over funds from the various early care and education programs. Programs include, but are not limited to, Florida First Start, Even Start literacy programs, prekindergarten early intervention, migrant prekindergarten, Title I, subsidized child care, and teen parent programs. Once a county coalition has developed a plan, the state develops a contract with the coalition that essentially includes pooled funds from the above-mentioned programs (primarily from the Department of Education and the Department of Children and Families), as well as some health and welfare (TANF) dollars.

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INTEGRATING SERVICES UNDER A MASTER CONTRACT

In Monroe County (Rochester), New York, seven state health programs focused on early childhood—including immunizations; IDEA; lead screening; child development; Maternal and Child Health; Women, Infants, and Children;—have been included in a master contract between the county and the state. State officials were willing to trade separate and detailed budgets for each of the programs in exchange for the establishment of overall goals and the tracking and reporting of outcome data. The master contract has facilitated integration of services—the Health Department has collocated staff, established a single point of entry and common in-take form, and created teams to deliver coordinated services to clients. The administrative benefits are also significant—the county is now responsible for one annual workplan and budget, rather than seven; provides five program and fiscal reports annually, rather than over 20 program reports and 30 fiscal reports; and uses a single fiscal year for all funding, rather than three different fiscal years.

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Decategorization

Decategorization goes one step beyond pooling, essentially removing restrictive eligibility requirements and programmatic boundaries that separate funding streams. As the name implies, decategorization focuses on making funding streams less "categorical" by removing, reducing, or aligning requirements and regulations. Funds from more than one program are "blended" into a single funding stream. Decategorization can be employed to support comprehensive system reform efforts that enact profound changes in the way social services are structured and delivered. It can also be used incrementally to reduce

DECATEGORIZING FUNDS TO SUPPORT LOCAL COORDINATION

The Colorado Legislature created the Community Consolidated Child Care Pilot Program to encourage communities to design consolidated early care and education programs. Pilot communities were required to consolidate funding from the Colorado Preschool Program, which is operated by local school districts, and child care dollars administered by local boards of county commissioners. The legislature authorized the state Department of Human Services to waive state laws or rules that were obstacles to successful collaboration. Waivers included requiring only a single application for multiple programs and broadening program eligibility to meet specific community needs. For example, two communities raised the income-eligibility level for the state child care subsidy so that low-income parents' child care expenses would not increase substantially as their incomes increased.

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and align the requirements and regulations governing funding streams that have similar targets or purposes. For example, Ohio lengthened the period of certification for child care subsidies from six to twelve months, in part so that subsidy funding timeframes would be more closely aligned with the timeframes governing other early care and education funding sources.[8]

Decategorization generally requires either state legislative or state agency approval because it involves changing the regulations guiding relevant state and federal funding streams. Although states do not have the authority to alter the many regulations attached to federal funding streams, many decisions regarding eligibility and breadth of services can be made at the state level. This is particularly true of programs and services funded from block grants, such as CCDF or TANF. In these programs, states have broad latitude to allocate funding and set regulations. As more latitude is given to the states through devolution and block-grant funding, policy makers can foster more comprehensive and integrated childhood services by crafting legislation and state plans with a focus on the need to simplify and align the requirements of separate early childhood programs

It is important to stress, however, that policy makers should use this strategy within the context of a broader vision—one focused on community-based, decision making and results accountability—about the development and delivery of supports for children and families. Decategorization in the absence of such a vision can jeopardize families' access to basic supports and services by removing requirements without putting structures and processes in place to ensure that local leaders are accountable for assessing and responding to community needs.

Steps to Success

The financing strategies described in the previous section do not stand alone and are not ends in themselves. Like all financing strategies, flexibility strategies are a means of achieving desired ends, which in this case include increased efficiency in the use of resources and the development of more integrated and responsive early childhood supports and services. Thus, these strategies must be developed within the context of larger planning processes that focus on the strategic use of resources to achieve desired results. Leaders interested in implementing flexibility strategies, whether they are operating at the program, community, city, county, or state level, will be more successful if they lay the groundwork by taking the following steps:

* **Develop leadership and a clear vision**—Attempting to blend separate funding streams is fundamentally about bridging the differing philosophies and priorities that led to the creation of categorical streams in the first place. A critical starting point, therefore, is the possession of a clear vision and leadership that can articulate that vision and inspire stakeholders to achieve it. Once leaders have articulated a clear vision of what they want to achieve, they can consider their resources options and how they can coordinate or integrate funding streams to achieve their goals.

* **Focus on results**—Examples of successful efforts to increase funding flexibility frequently involve a new commitment to achieving results. In effect, a focus on process (i.e., who is served with what particular services) is replaced with a focus on results (i.e., what we—as a program, a community, a state—are trying to achieve for young children and their families). Within this framework, the use of funding streams can be organized around the supports and services that will most effectively achieve desired results. Forging clear and agreed-upon desired outcomes for young children among the many stakeholders at a number of levels (program, community, and state) will lay the groundwork for increasing funding flexibility.

* **Establish collaborative planning processes and structures**—All of the financing strategies discussed in this paper are predicated on the existence of strong partnerships and planning processes. Interagency partnerships at the state and county levels are essential if policy makers wish to increase the efficient use of resources and the flexibility of funding through strategies such as pooling. Likewise, community-level partnerships enable leaders from public agencies, school districts, community organizations, businesses, and foundations to effectively assess local needs, understand the landscape of funding and services present in a community, and devise strategies to coordinate the many separate funding streams supporting local efforts. Finally, connections between community- and state-level partnerships foster state policy making that is responsive to local needs.

* **Understand resource options**—To implement flexibility strategies, it is essential to know the range of resources that potentially can support early care and education. It is also critical to understand how much flexibility is actually allowed in using those funds. Too often, individuals administering funds (whether at the state, local, or program

level) do not take advantage of the flexibility actually available within the current legislation and regulations of a program. It is essential to know the difference between what is encouraged, what is allowed, and what is required. At the state level, it is also important to avoid imposing regulations on block grants that are more restrictive than federal law requires. The presence of a strong vision and a focus on results can ease the need for restrictive regulations.

* **Allocate resources strategically**—As a general rule, once leaders have a clear understanding of relevant funding sources, they should allocate the most restrictive sources first. Then sources that are more flexible can be used to fill in the gaps left by categorical funding.

* **Develop needed infrastructure**—The successful implementation of the flexibility strategies outlined in this brief require fairly sophisticated administrative systems, including communication systems to facilitate effective collaboration between partners at the community level and agencies at the state level; data-tracking and cost-allocation systems that provide the ability to track the use of funds and report back to multiple sources; and training and technical assistance systems to help local programs understand and manage complex administrative processes.

Conclusion

Recent years have seen a great deal of innovation and experimentation in the early care and education field. Leaders at the federal, state, local, and community levels are striving to link the discrete, fragmented supports and services that have developed over a number of years into a system of early childhood supports and services that makes sense for families and providers. Critical to the success of these efforts are financing strategies that enable program developers and community leaders to use categorical funding streams in more flexible and coordinated ways. For these efforts to be most successful, the ground-level work of program leaders to braid and blend a variety of funding sources must be supported by policy making that increases the flexibility of and aligns funding streams.

Additional Resources on Financing Early Care and Education Initiatives

Publications of The Finance Project

Fisher, Hansine, with Carol Cohen and Margaret Flynn. *Federal Funding for Early Childhood Supports and Services: A Guide to Sources and Strategies.* June 2000.

Ganow, Michelle. *State Early Care and Education Initiatives.* February 2002.

Hayes, Cheryl D. *Thinking Broadly: Financing Strategies for Comprehensive Child and Family Initiatives.* March 2002.

Kaplan, Jan. *Child Care Funding and Policy Issues.* January 2002.

Kershaw, Amy. *Making Space for Children: A Toolkit for Starting a Child Care Facilities Fund.* October 2000.

Langford, Barbara Hanson. *Creating Dedicated Local Revenue Sources for Early Care and Education Initiatives.* April 2000.

Watson, Sara, and Miriam Westheimer. *Financing Family Resource Centers: A Guide to Sources and Strategies.* April 2000.

Other Resources

Blank, Helen. *State Developments in Child Care, Early Education, and School-Age Care: 2001.* Washington, D.C.: Children's Defense Fund, 2002.

Flynn, Margaret, Cheryl D. Hayes, Kimberly Uyeda, and Neal Halfon. *Partnering Schools, Communities and Proposition 10: Financing Considerations for Early Childhood Initiatives.* Los Angeles, Calif.: UCLA Center for Healthier Children, Families and Communities, January 2002.

Gish, Melinda. *Child Care: Funding and Spending under Federal Block Grants.* Washington, D.C.: Congressional Research Service, 2002.

Groginsky, Scott. *Child Care and Early Education Coordination in the States: A Statutory Overview.* Denver, Colo.: National Conference of State Legislatures, April 2002.

Kolben, Nancy, and Charles Paprocki. *Next Steps in Blended Funding: A Policy Recommendation.* New York: The Early Childhood Strategic Group, Spring 2001.

Ochshorn, Susan. *Partnering for Success: Community Approaches to Early Learning.* New York: The Child Care Action Campaign, 2001.

Paulsell, Diane, Julie Cohen, Ali Stieglitz, Erica Lurie-Hurvitz, Emily Fenischel, and Ellen Kisker. *Partnerships for Quality: Improving Infant-Toddler Child Care for Low-Income Families.* Washington, D.C.: The Child Care Bureau, March 2002.

Schumacher, Rachel, Mark Greenberg, and Joan Lombardi. *State Initiatives to Promote Early Learning: Next Steps in Coordinating Subsidized Child Care, Head Start, and State Prekindergarten.* Washington, D.C.: Center for Law and Social Policy, April 2001.

Endnotes

1. For an overview of the range of strategies that policy makers, community leaders, and program developers can employ, see Cheryl D. Hayes, *Thinking Broadly: Financing Strategies for Comprehensive Child and Family Initiatives* (Washington D.C.: The Finance Project, 2002).

2. For a more detailed consideration of the range of funding sources that can support early childhood supports and services, see Hansine Fisher, with Carol Cohen and Margaret Flynn, *Federal Funding for Early Childhood Supports and Services: A Guide to Sources and Strategies* (Washington, D.C.: The Finance Project, June 2000).

3. The source for all of the federal funding levels included in this section is *Good Start, Grow Smart: The Bush Administration's Early Childhood Initiative* (Washington, D.C.: The White House, April 2002); available at *http://whitehouse.gov/infocus/earlychildhood/toc.html*.

4. Melinda Gish, *Child Care: Funding and Spending Under Federal Block Grants* (Washington, D.C.: Congressional Research Service, 2002), p 14.

5. *State Developments in Child Care, Early Education, and School-Age Care: 2001* (Washington, D.C.: Children's Defense Fund, 2002), p 112.

6. Scott Groginsky, *Child Care and Early Education Coordination in the States: A Statutory Overview* (Denver, Colo.: National Conference of State Legislatures, April 2002).

7. Cheryl, D. Hayes, *Thinking Broadly: Financing Strategies for Comprehensive Child and Family Initiatives* (Washington, D.C.: The Finance Project, March 2002), page 27.

8. Rachel Schumacher, Mark Greenberg, and Joan Lombardi, *State Initiatives to Promote Early Learning: Next Steps in Coordinating Subsidized Child Care, Head Start, and State Prekindergarten* (Washington, D.C.: Center for Law and Social Policy, 2001).

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